

## Message Text

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46

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 INT-08 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-15

STR-08 CEA-02 L-03 H-03 PRS-01 PA-03 USIA-15 DRC-01

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R 271030Z SEP 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 5045

INFO USMISSION EC BRUSSELS

AMEMBASSY OTTAWA

UNCLAS DUBLIN 1312

EO 11652 N/A

TAGS: ECRP, EMIN, EFIN, EI

SUBJECT: IRELAND ENDS MINING TAX HOLIDAY

REF: DUBLIN A-131, SEPTEMBER 4, 1973 (NOTAL)

SUMMARY: IN SURPRISE ANNOUNCEMENT SEPTEMBER 25, IRISH GOVERNMENT STATED THAT 20 YEAR TAX HOLIDAY FOR PROFITS OF BASE METAL MINES ENDED. REVENUES LIKELY TO ACCRUE TO GOVERNMENT ESTIMATED FROM 60 TO 120 MILLION POUNDS STERLING OVER NEXT 20 YEARS. ANNOUNCEMENT GENERATED EXPRESSIONS OF "SHOCK" FROM MINING COMPANIES (LARGELY CANADIAN FINANCED) BUT LIKELY TO WELCOMED BY LABOUR, TRADE UNIONS, AND PUBLIC, WHICH HAVE EXPRESSED GROWING CONCERN THAT IRISH WILL FAIL TO BENEFIT FROM IRELAND'S RELATIVELY RECENTLY DISCOVERED MINERAL WEALTH. END SUMMARY.

1. BACKGROUND AND JUSTIFICATION FOR DECISION CONTAINED IN GOI PUBLISHED STATEMENT AS FOLLOWS: (UNNECESSARY WORDS OMITTED)

QUOTE: GOVERNMENT HAD UNDER EXAMINATION FOR SOME TIME

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TAXATION ARRANGEMENTS IN RELATION TO MINING OF NON-BEDDED MIN-

ERALS (COPPER, LEAD, ZINC, PYRITES, AND BARYTES) IN THIS COUNTRY. IT DECIDED THAT 20-YEAR TAX EXEMPTION INTRODUCED IN 1967 ON MINING PROFITS SHOULD BE WITHDRAWN AND BE REPLACED BY ALTERNATIVE SYSTEM OF TAXATION ALLOWANCES. NEW SYSTEM WILL APPLY TO, MINING ENTERPRISES ALREADY IN PRODUCTION AS WELL AS TO THOSE WHICH MAY GO INTO PRODUCTION IN FUTURE. MINISTER FOR FINANCE ARRANGING INTRODUCE LEGISLATION TO GIVE EFFECT TO GOVERNMENT DECISION.

GOVERNMENT IS SATISFIED THAT TOTAL EXEMPTION FROM TAX OVER 20 YEARS IS UNDULY GENEROUS BY REFERENCE TO COMPARABLE CONCESSIONS IN OTHER COUNTRIES AND IS NO LONGER APPROPRIATE IN LIGHT OF POSITION NOW REACHED BY MINING INDUSTRY HERE. IF EXEMPTION WERE CONTINUED IT WOULD RESULT IN AN UNJUSTIFIABLY LARGE LOSS OF REVENUE TO THE STATE. GOVERNMENT ALSO CONSIDERS THAT OUR MINING INDUSTRY, HAVING REACHED ITS PRESENT STATE OF DEVELOPMENT SHOULD NOW MAKE SUITABLE AND EQUITABLE TAX CONTRIBUTION TOWARDS EVER INCREASING COST OF PROMOTING NATIONAL DEVELOPMENT. NEW TAX PROVISIONS WILL PROVIDE THAT PROFITS FROM MINING OF NON-BEDDED MINERALS WILL BE LIABLE TO NORMAL RATES OF TAX (50 PERCENT) AFTER DEDUCTING CERTAIN ALLOWANCES RE PROSPECTING, EXPLORATION, DEVELOPMENT AND NEW PLANT AND MACHINERY. FURTHER RELIEF BY WAY OF TAX ABATEMENT WILL BE PROVIDED MARGINAL MINES TO ENSURE THEY CAN BE WORKED ECONOMICALLY.

GOVERNMENT IS CONFIDENT THAT THE MINING INDUSTRY WILL UNDERSTAND AND ACCEPT REVISION OF THE TAXATION ARRANGEMENTS JUSTIFIED AT THIS STAGE. IT IS WIDELY RECOGNISED THAT TAX EXEMPTION WAS NOT MAIN FACTOR IN GROWTH OF IRISH MINING INDUSTRY IN RECENT YEARS THE DEVELOPMENT WAS PRIMARILY DUE TO RELATIVELY FAVOURABLE AND WELL DOCUMENTED GEOLOGY, IMPROVEMENTS IN TECHNOLOGY, GOOD MINERAL LEGISLATION AND IMPETUS GIVEN BY TYNAGH DISCOVERY IN 1961.

ALTERNATIVE TAX SYSTEM ENVISAGED WILL BE SPECIALLY DESIGNED TO MEET NEEDS OF THE IRISH MINING INDUSTRY AND WILL BE GENERALLY COMPARABLE WITH MINING TAXATION SYSTEMS IN OTHER COUNTRIES. GOVERNMENT IS SATISFIED THAT NEW FISCAL CONDITIONS, TOGETHER WITH OTHER ADVANTAGES OF OPERATING IN IRELAND, WILL ENSURE THE CONTINUED DEVELOPMENT OF MINING HERE TO BENEFIT OF MINING INTERESTS THEMSELVES AND PEOPLE OF COUNTRY AS A WHOLE. END QUOTE.

## 2. MEDIA CHARACTERIZED REACTION OF PRINCIPAL MINING INTERESTS UNCLASSIFIED

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AFFECTED AS ONE OF SHOCK, ALTHOUGH ONE IRISH-OWNED COMPANY SURPRISINGLY SAID IT AGREED WITH GOI DECISION AS IN THE NATIONAL INTEREST.

TARA, NORTHGATE AND ANGLO-UNITED GROUPS (ALL LARGELY CANADIAN FINANCED) SAID THEY HAD REQUESTED SUSPENSION OF QUOTATIONS OF THEIR STOCK ON STOCK EXCHANGES "PENDING PUBLICATION OF FURTHER INFORMATION;" OTHER MINING COMPANIES LIKELY TO FOLLOW SUIT.

TARA SPOKESMAN SAID DECISION WOULD ACT AS DISINCENTIVE TO OTHER

FIRMS CONSIDERING COMING TO IRELAND.

3. DECISION WAS WELCOMED BY DUBLIN NEWSPAPERS AND SHOULD HELP ASSUAGE INCREASING DEMANDS, PARTICULARLY ON PART OF LABOUR LEADERS AND SOME PARTY OFFICIALS FOR REVISION GOI MINING POLICY. LAST YEAR, BEFORE COALITION FORMED, LABOUR PARTY HAD CALLED FOR NATIONALIZATION OF MINES, WITHOUT COMPENSATION. WITH TAXATION OF MINING PROFITS LIKELY TO AMOUNT TO AT LEAST 65 MILLION POUNDS STERLING OVER NEXT 20 YEARS AND PROBABLY CONSIDERABLY MORE, WITH INCREASING PRICES AND POSSIBILITY OF GREATER RESERVES OF MINERALS THAN PROVEN THUS FAR, PRESSURE FOR STATE OWNERSHIP AND CONTROL COULD BE DEFUSED. TIMES NOTED THAT DURING PAST 7 YEARS UNDER SCHEME NOW BEING ABOLISHED, GOI HAD RECEIVED ONLY 1.8 MILLION POUNDS OUT OF EXPORTS OF METAL ORES AND CONCENTRATES WOTH 67.5 MILLION POUNDS. MOORE

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